

Message Text

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12

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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R 032121Z MAY 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6340

INFO USDOC WASHDC

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: BANK RENATIONALIZATION: REACTION TO GOA COMPENSATION
PROPOSALS

RECENTLY GOA ISSUED FIVE DECREES SETTING COMPENSATION VALUES
FOR FIVE BANKS RENATIONALIZED UNDER LAW 20-522 (BA-2894).
EMBASSY HAS OBTAINED FOLLOWING REACTIONS FROM LOCAL AMERICAN
BANKS INVOLVED:

1) FIRST NATIONAL CITY BANK REP SAID BANK ALREADY HAS SIGNED
PAPERS ACCAPTING GOA OFFER WITH NO RESERVATIONS OR CLAIMS. HE
ADMITTED THAT FNCB DIDN'T LIKE OFFER VERY MUCH BUT EMPHASIZED
THESE INVESTMENTS WERE ONLY SMALL PART OF TOTAL FNCB OPERATIONS
IN ARGENTINA AND NOT WORTH FIGHTING OVER. IN PARTICULAR, FNCB
DID NOT WANT TO TAKE ACTION WHICH WOULD ELIENATE GOA OFFICIALS
AND JEOPARDIZE ITS OTHER BUSINESS HERE. FNCB REP SAID FORM OF
PAYMENT STILL UNSETTLED AND SUBJECT IS SOURCE OF CONTROVERSY
WITHIN CENTRAL BANK. CENTRAL BANK WILL ALSO HAVE TO ESTABLISH
WHETHER PROCEEDS MAY BE FREELY REPATRIATED. FNCB REP SAID HE
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DID NOT DISCOUNT POSSIBILITY THAT FNCB WOULD DECIDE TO CAPITAL-

IZE COMPENSATION PAYMENTS INTO THEIR CURRENT OPERATIONS HERE
IN ARGENTINA.

2) MORGAN GUARANTY TRUST - REP OF BANCO FRANCES DEL RIO DE LA
PLATA (MORGAN GUARANTY) SAID BANK'S BOARD OF DIRECTORS WOULD
MEET SOON TO DECIDE BANK'S POSITION VIS-A-VIS GOA OFFER. HE
APPEARED QUITE CONTENT WITH IT, AND FELT OPTIMISTIC THAT BOARD
WOULD GIVE FAVORABLE RESPONSE. HE POINTED OUT RECENT DECREES
CONSTITUTED INITIAL GOA OFFER, BASED ON SEPTEMBER 30 NET WORTH
OF BANKS, AND THAT FIGURES WOULD BE ADJUSTED TO ACCORD WITH
PRESENT VALUE. IN CASE OF BANCO FRANCES, HE FELT SUCH ADJUST-
MENTS COULD APPROACH ONE MILLION DOLLARS. HE SAID CENTRAL BANK
NOW HAD TASK OF MAKING FINAL CHECK OF BANK'S INVENTORY AND
OPERATIONS. REGARDING MORGAN'S FUTURE, HE EMPHASIZED BANK
WANTED TO REMAIN IN ARGENTINA. ITS PLAN AND MAJOR PRIORITY WAS
TO ORGANIZE GROUP OF FRIENDLY STOCKHOLDERS TO PARTICIPATE IN
FORTHCOMING LICITATION. MORGAN WOULD REMAIN AS MINORITY INVESTOR
WITH JUST UNDER 20 PERCENT OF SHARES. HE DIDN'T KNOW WHAT
MORGAN WOULD DO WITH COMPENSATION PAYMENTS NOT REINVESTED IN
BANCO FRANCES.

3) CHASE MANHATTAN - DURING COURTESY CALL ON AMBASSADOR,
PRESIDENT OF BANCO DE COMERCIO SAID CHASE MANHATTAN NOT SATIS-
FIED WITH GOA OFFER OF 3.8 MILLION DOLLARS FOR BANCO DE COMERCIO.
HOWEVER, HE EMPHASIZED THIS FIGURE WAS ONLY AN INITIAL GOA
PROPOSAL SUBJECT TO FUTURE ADJUSTMENT. CHASE WOULD CONTINUE
NEGOTIATIONS IN GOOD FAITH HOPING TO ACHIEVE A MORE EQUITABLE
AGREEMENT. NEVERTHELESS, HE WAS PESSIMISTIC AND BELIEVED CHASE
EVENTUALLY WOULD HAVE TO CONTEST GOA OFFER IN COURTS. NEVERTHE-
LESS, HE EMPHASIZED THAT CHASE WOULD LIKE TO REMAIN IN ARGENTINA.
HE SAID CHASE PLANNED, IF SUCH ACTION PROVES POSSIBLE, TO ESTAB-
LISH NEW INVESTMENT BANK HERE WITH PROCEEDS OF COMPENSATION PAY-
MENT. HE SAID APPLICATION TO CENTRAL BANK FOR THIS PURPOSE
WOULD BE MADE IN NEAR FUTURE.
HILL

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